

2010  
AUGUST

027045

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
(A Nonprofit Public Benefit Corporation)

## FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

**For Year Ended June 30, 2010  
and the Six Months Ended  
June 30, 2009**

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2010  
Audit

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**INDEPENDENT AUDITOR'S REPORT**

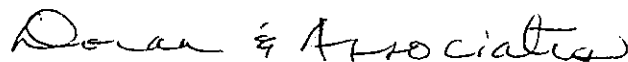
To the Board of Directors  
Electronic Frontier Foundation, Inc.  
San Francisco, California

We have audited the accompanying statements of financial position of Electronic Frontier Foundation, Inc. (a nonprofit public benefit corporation), as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the year ended June 30, 2010 and the six month period ended June 30, 2009. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Electronic Frontier Foundation, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the year ended June 30, 2010 and the six month period ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Electronic Frontier Foundation, Inc. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



May 17, 2011

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
(A Nonprofit Public Benefit Corporation)

**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2010 and 2009

	2010	2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 453,923	\$ 1,088,356
Prepaid expenses	8,163	6,450
Grants receivable (Note 1)	290,000	845,000
Litigation settlement receivable	31,451	-
Inventory (Note 2)	<u>30,239</u>	<u>31,794</u>
Total current assets	813,776	1,971,600
Marketable equity securities (Note 3)	4,316,567	3,435,572
Deposits	14,300	13,000
Equipment and leasehold improvements, net of accumulated depreciation of \$226,619 at 2010 and \$197,488 at 2009 (Notes 1 and 4)	<u>477,568</u>	<u>497,997</u>
Total assets	<u>\$ 5,622,211</u>	<u>\$ 5,918,169</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 24,642	\$ 25,504
Accrued vacation liability (Note 5)	<u>99,891</u>	<u>108,011</u>
Total liabilities	<u>124,533</u>	<u>133,515</u>
Net assets:		
Unrestricted net assets:		
Undesignated	580,557	542,557
Board-designated endowment (Note 6)	<u>4,161,699</u>	<u>3,833,342</u>
Total unrestricted net assets	4,742,256	4,375,899
Temporarily restricted net assets (Note 7)	<u>755,422</u>	<u>1,408,755</u>
Total net assets	<u>5,497,678</u>	<u>5,784,654</u>
Total liabilities and net assets	<u>\$ 5,622,211</u>	<u>\$ 5,918,169</u>

The accompanying notes are an integral part of these financial statements.

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
(A Nonprofit Public Benefit Corporation)

**STATEMENTS OF ACTIVITIES**  
For the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>			
Public support:			
Foundation and corporation grants	\$ 683,255	\$ 317,301	\$ 1,000,556
Donations and contributions	<u>706,020</u>	<u>16,000</u>	<u>722,020</u>
Total public support	<u>1,389,275</u>	<u>333,301</u>	<u>1,722,576</u>
Revenue:			
Memberships	959,201	-	959,201
Investment income (loss) (Note 3)	363,759	-	363,759
Litigation settlement	109,248	-	109,248
Event income, net of expenses (Note 8)	58,833	-	58,833
Loss on disposal of fixed assets, net (Note 4)	(689)	-	(689)
Miscellaneous	<u>3,348</u>	<u>-</u>	<u>3,348</u>
Total revenue	<u>1,493,700</u>	<u>-</u>	<u>1,493,700</u>
Net assets released from restrictions (Note 9)	<u>986,634</u>	<u>(986,634)</u>	<u>-</u>
Total support, revenue and transfers	<u>3,869,609</u>	<u>(653,333)</u>	<u>3,216,276</u>
<b>EXPENSES</b>			
Program services	2,792,275	-	2,792,275
General and administrative	259,096	-	259,096
Fundraising	<u>451,881</u>	<u>-</u>	<u>451,881</u>
Total expenses	<u>3,503,252</u>	<u>-</u>	<u>3,503,252</u>
Change in net assets	366,357	(653,333)	(286,976)
Net assets, beginning of year	<u>4,375,899</u>	<u>1,408,755</u>	<u>5,784,654</u>
Net assets, end of year	<u>\$ 4,742,256</u>	<u>\$ 755,422</u>	<u>\$ 5,497,678</u>

The accompanying notes are an integral part of these financial statements.

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
(A Nonprofit Public Benefit Corporation)

**STATEMENTS OF ACTIVITIES (CONTINUED)**  
For the six months ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>			
Public support:			
Foundation and corporation grants	\$ 97,832	\$ 140,717	\$ 238,549
Donations and contributions	<u>299,490</u>	<u>-</u>	<u>299,490</u>
Total public support	<u>397,322</u>	<u>140,717</u>	<u>538,039</u>
Revenue:			
Memberships	352,169	-	352,169
Investment income (loss) (Note 3)	271,678	-	271,678
Litigation settlement	25,000	-	25,000
Event income, net of expenses (Note 8)	19,087	-	19,087
Loss on disposal of fixed assets, net (Note 4)	(9,416)	-	(9,416)
Miscellaneous	<u>2,877</u>	<u>-</u>	<u>2,877</u>
Total revenue	<u>661,395</u>	<u>-</u>	<u>661,395</u>
Net assets released from restrictions (Note 9)	<u>369,748</u>	<u>(369,748)</u>	<u>-</u>
Total support, revenue and transfers	<u>1,428,465</u>	<u>(229,031)</u>	<u>1,199,434</u>
<b>EXPENSES</b>			
Program services	1,341,736	-	1,341,736
General and administrative	205,707	-	205,707
Fundraising	<u>184,052</u>	<u>-</u>	<u>184,052</u>
Total expenses	<u>1,731,495</u>	<u>-</u>	<u>1,731,495</u>
Change in net assets	(303,030)	(229,031)	(532,061)
Net assets, December 31, 2008	<u>4,678,929</u>	<u>1,637,786</u>	<u>6,316,715</u>
Net assets, June 30, 2009	<u>\$ 4,375,899</u>	<u>\$ 1,408,755</u>	<u>\$ 5,784,654</u>

The accompanying notes are an integral part of these financial statements.

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
(A Nonprofit Public Benefit Corporation)

**STATEMENTS OF CASH FLOWS**  
For the year ended June 30, 2010 and the six months ended June 30, 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (286,976)	\$ (532,061)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	30,215	16,405
Unrealized (gain) loss on investments	(284,313)	(271,317)
Realized gain on investments	(75,458)	-
Realized loss on disposal of fixed assets	689	9,416
Contribution of marketable equity securities	(94,829)	(180,373)
Changes in assets and liabilities:		
Prepaid expenses	(1,713)	21,988
Grants receivable	523,549	136,483
Inventory	1,555	(15,344)
Deposits	(1,300)	-
Accounts payable and accrued expenses	(862)	(16,814)
Accrued vacation liability	(8,120)	31,208
Total adjustments	89,413	(268,348)
Net cash used by operating activities	(197,563)	(800,409)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(878,015)	-
Sales of investments	451,620	367,241
Purchase of equipment and leasehold improvements	(10,475)	(6,666)
Net cash (used) provided by investing activities	(436,870)	360,575
Net decrease in cash and cash equivalents	(634,433)	(439,834)
Cash and cash equivalents, beginning of year	1,088,356	1,528,190
Cash and cash equivalents, end of year	\$ 453,923	\$ 1,088,356
Supplementary information:		
Non-cash transactions:		
Contribution of marketable equity securities	\$ 94,829	\$ 180,373

The accompanying notes are an integral part of these financial statements.

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2010 and the six months ended June 30, 2009**

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - The Electronic Frontier Foundation, Inc., a Massachusetts nonprofit public benefit corporation, was founded in July 1990 to work in the public interest to promote online privacy, freedom of expression, and social responsibility. The Corporation's primary sources of revenue are grants and contributions from foundations, corporations and individuals.

Effective January 1, 2009 the Corporation changed the fiscal year end from December 31 to June 30. As a result, these financial statements reflect the operations of the six month period ended June 30, 2009.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

*Unrestricted net assets* - Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year.

*Temporarily restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Corporation pursuant to those stipulations.

*Permanently restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

There were no permanently restricted net assets as of June 30, 2010 and 2009.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.



**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2010 and the six months ended June 30, 2009**

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NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Accounts Receivable - It is the practice of the Corporation to expense uncollectibles only after exhausting all efforts to collect the amounts due. There is no allowance for doubtful accounts and management believes all amounts will be collected in full.

Contributions - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Equipment and Leasehold Improvements - The Corporation records equipment and leasehold improvements of \$1,000 or more at historical cost or, if donated, at fair market value at the date of donation. Depreciation is determined on the straight-line method over the estimated useful lives ranging from 5 to 39 years.

Income Taxes - The Corporation is exempt from income taxes under Internal Revenue Code Section 501(c)(3), Section 23701(d) of the California Revenue and Taxation Code, and the Massachusetts General Law Chapter 180, Section 4, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent Account Pronouncement - Accounting Standards Codification - In June 2009, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Codification ("Codification"). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Corporation's accounting policies. The adoption of the Codification did not have a material impact on the Corporation's financial position or results of activities.

New Accounting Pronouncement. ASC 820-10, Fair Value Measurements - In September 2006, the Financial Accounting Standards Board issued Accounting Standards Codification 820-10 (formerly Statement of Financial Accounting Standards No. 157 (FAS-157)), *Fair Value Measurements*. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of ASC 820-10 are effective for the Corporation for fiscal years beginning January 1, 2008. The adoption of ASC 820-10 did not have a material impact on the Corporation's financial statements.

**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2010 and the six months ended June 30, 2009**

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Subsequent Events - Subsequent events have been evaluated through \_\_\_\_\_, which is the date the financial statements were available to be issued.

New Accounting Principles, ASC 740-10, *Accounting for Uncertainty in Income Taxes* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and have measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

New Accounting Pronouncement, *Uniform Prudent Management of Institutional Funds Act (UPMIFA)* and *California's State Prudent Management of Institutional Funds Act (SPMIFA)* - In 2008, SB1329 was adopted, changing the rules governing the investment of funds by a nonprofit public benefit corporation. The new legislation applies to newly created investment funds, as well as existing funds held as of January 1, 2009.

Advertising - The Corporation expenses advertising costs as incurred. Advertising expense totaled \$6,445 for the year ended June 30, 2010.

Reclassifications - Certain balances at, and for the year ended June 30, 2009, were reclassified to conform with June 30, 2010, balances.

**NOTE 2 INVENTORY**

Inventory items are held for resale and promotion, are stated at the lower of cost or market value, and are determined on a first-in, first-out basis. Inventory at June 30, 2010 and 2009, consisted of the following:

	2010	2009
T-shirts	\$ 18,429	\$ 25,990
Cards, stickers, and other clothing items	11,810	5,804
	<u>\$ 30,239</u>	<u>\$ 31,794</u>

**ELECTRONIC FRONTIER FOUNDATION**  
(A Nonprofit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2010 and the six months ended June 30, 2009

**NOTE 3 MARKETABLE EQUITY SECURITIES**

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the year ended June 30, 2010 and the six months ended June 30, 2009, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Fair Value Measurements at June 30, 2010, Using</u>				
<u>Description</u>	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 398,487	\$ -	\$ -	\$ 398,487
Fixed income	1,478,645	-	-	1,478,645
Equities	2,439,435	-	-	2,439,435
	<u>\$ 4,316,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,316,567</u>

<u>Fair Value Measurements at June 30, 2009, Using</u>				
<u>Description</u>	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 2,206,543	\$ -	\$ -	\$ 2,206,543
Fixed income	1,044,629	-	-	1,044,629
Stocks	184,400	-	-	184,400
	<u>\$ 3,435,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,435,572</u>

The following summarizes the investment income (loss) during the year ended June 30, 2010 and the six months ended June 30, 2009:

	<u>2010</u>	<u>2009</u>
Unrealized gain on investments	\$ 284,313	\$ 271,317
Realized gain on investments	75,458	-
Interest and dividend income	3,988	361
	<u>\$ 363,759</u>	<u>\$ 271,678</u>

**ELECTRONIC FRONTIER FOUNDATION**  
(A Nonprofit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2010 and the six months ended June 30, 2009

**NOTE 4 EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Equipment and leasehold improvements consisted of the following:

<u>Equipment and leasehold improvements, at cost</u>	<u>Leasehold Improvements</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Balance, December 31, 2008	\$ 544,699	\$ 164,152	\$ 708,851
Additions	1,790	4,876	6,666
Disposals	-	(20,032)	(20,032)
Balance, June 30, 2009	546,489	148,996	695,485
Additions	-	10,475	10,475
Disposals	-	(1,475)	(1,475)
Balance, June 30, 2010	546,489	157,996	704,485
<u>Accumulated depreciation</u>			
Balance, December 31, 2008	92,905	98,794	191,699
Depreciation expense	6,937	9,468	16,405
Disposals	-	(10,616)	(10,616)
Balance, June 30, 2009	99,842	97,646	197,488
Depreciation expense	13,874	16,341	30,215
Disposals	-	(786)	(786)
Balance, June 30, 2010	113,716	113,201	226,917
Equipment and leasehold improvements, net	<u>\$ 432,773</u>	<u>\$ 44,795</u>	<u>\$ 477,568</u>

**NOTE 5 ACCRUED VACATION LIABILITY**

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Corporation. The value of accumulated vacation at June 30, 2010 and 2009, was \$99,891 and \$108,011, respectively.

**NOTE 6 ENDOWMENT**

EFF's endowment consists of two investment accounts consisting of mutual funds, fixed income instruments, and cash and cash equivalents. EFF's endowment was established to further the charitable purposes of the organization by providing general support in meeting the operating needs of the organization, as determined by the EFF Board of Directors.

**ELECTRONIC FRONTIER FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2010 and the six months ended June 30, 2009

NOTE 6    ENDOWMENT (Continued)

Interpretation of Law - The California State Prudent Management of Institutional Funds Act (UPMIFA) regulates all donor-created endowment funds held by charitable institutions in the State. EFF's endowment is a "board-designated endowment fund" and not a "donor restricted endowment fund," and is therefore not subject to California's enactment of UPMIFA. However, the Board of Directors of EFF have interpreted GAAP to require disclosure of the following information in order to enable users of EFF's financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of EFF's board-designated endowment funds.

IF EFF were to receive any contributions to the endowment that included donor restrictions, the Board of Directors of EFF understands that those contributions would be subject to California's enactment of UPMIFA with regard to classification of net assets and all other factors considered in making determinations as to appropriate or accumulated donor-restricted funds.

Endowment Net Asset Composition by Type of Fund as of:

<u>June 30, 2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 4,161,699	\$ -	\$ -	\$ 4,161,699
Total funds	<u>\$ 4,161,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,161,699</u>
 <u>June 30, 2009</u>				
Board-designated endowment funds	\$ 3,833,342	\$ -	\$ -	\$ 3,833,342
Total funds	<u>\$ 3,833,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,833,342</u>

**ELECTRONIC FRONTIER FOUNDATION**  
(A Nonprofit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2010 and the six months ended June 30, 2009

NOTE 6    ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Six Months Ended June 30, 2009 and the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2008	\$ 3,575,297	\$ -	\$ -	\$ 3,575,297
Investment return:				
Interest and dividends	-	-	-	-
Realized and unrealized gain	258,045	-	-	258,045
Investment fees	-	-	-	-
Total investment return	258,045	-	-	258,045
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure:				
Spending rule	-	-	-	-
Endowment net assets, June 30, 2009	3,833,342	-	-	3,833,342
Addition to Board-designated amounts	-	-	-	-
Investment return:				
Interest and dividends	-	-	-	-
Realized and unrealized gain	346,887	-	-	346,887
Investment fees	(18,530)	-	-	(18,530)
Total investment return	328,357	-	-	328,357

**ELECTRONIC FRONTIER FOUNDATION**  
(A Nonprofit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2010 and the six months ended June 30, 2009

NOTE 6    ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Six Months Ended June 30, 2009 and the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure: Spending rule	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2010	<u>\$ 4,161,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,161,699</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) for the year ended June 30, 2010 and the Six Months Ended June 30, 2009

*Permanently Restricted Net Assets*

June 30, 2010

The portion of perpetual endowment funds that is required to be retained Permanently either by explicit donor stipulation of SPMIFA	<u>\$ -</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ -</u>

June 30, 2009

The portion of perpetual endowment funds that is required to be retained Permanently either by explicit donor stipulation of SPMIFA	<u>\$ -</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ -</u>

**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2010 and the six months ended June 30, 2009**

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**NOTE 6    ENDOWMENT (Continued)**

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) for the year ended June 30, 2010 and the Six Months Ended June 30, 2009 (Continued)

*Temporarily Restricted Net Assets*

June 30, 2010

Term endowment funds	\$       -
The portion of perpetual endowment funds subject to a time restriction under SPMIFA:	
Without purpose restrictions	-
With purpose restrictions	<u>-</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$       -</u>

June 30, 2009

Term endowment funds	\$       -
The portion of perpetual endowment funds subject to a time restriction under SPMIFA:	
Without purpose restrictions	-
With purpose restrictions	<u>-</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$       -</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2010 and 2009.

Return Objectives and Risk Parameters

EFF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of investment returns that treats equitably inflation, adjusted terms, and the present and future needs of EFF while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested using an allocation model of no more than 75% of the funds in equities and no less than 25% in fixed-income. Additional investment guidelines are detailed in the EFF Endowment Fund for Digital Civil Liberties Investment and Spending Guidelines. Actual returns in any given year may vary.



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**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2010 and the six months ended June 30, 2009**

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**NOTE 6    ENDOWMENT (Continued)**

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, EFF relies on a total return objective consisting of the sum of the budgetary reliance on the endowment and the rate of inflation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Withdrawals from the endowment account shall be limited to no more than 6% of the three-year rolling average of funds under investment at December 31, or the average annual total return for three years, whichever is less.

**NOTE 7    TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are contributions which were received with donor stipulations that limit the use of the assets for specific purposes and/or for specific time periods. Temporarily restricted net assets at June 30, 2010 and June 30, 2009, are designated for the following uses:

	<u>2010</u>	<u>2009</u>
Endowment Campaign	\$ 250,000	\$ 500,000
Prime Number Contest	387,786	487,786
FOIA / FLAG	45,000	-
International Advocacy and Policy Development Work	40,000	-
Copyright watch	17,636	17,636
Legal Advice	15,000	-
Civil Liberties Program	-	33,333
Time-Restricted	-	25,000
Intellectual Property Program	-	200,000
Public Interest Advocate	-	75,000
Educational Work	-	25,000
Consumer rights related to cell-phone use	-	15,000
Outplacement attorney program	-	30,000
	<u>\$ 755,422</u>	<u>\$ 1,408,755</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2010 and the six months ended June 30, 2009**

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**NOTE 8    EVENT INCOME**

Event income consists of special events held by the Corporation, as well as events held by others which resulted in contributions for the Corporation as follows for the year ended June 30, 2010, and the six months ended June 30, 2009:

<u>2010</u>	Gross Income	Gross Expense	Net Income/(Loss)
EFF Events:			
Pioneer Award	\$ 17,260	\$ 11,574	\$ 5,686
20 <sup>th</sup> Birthday Party	8,690	2,953	5,737
	<u>\$ 25,950</u>	<u>\$ 14,527</u>	<u>11,423</u>
Outside events held by others resulting in contributions			<u>47,410</u>
			<u>\$ 58,833</u>
 <u>2009</u>			
EFF Events:			
Legal bootcamp	\$ 10,037	\$ 375	\$ 9,662
EFF Birthday Party	5,635	2,741	2,894
	<u>\$ 15,672</u>	<u>\$ 3,116</u>	<u>12,556</u>
Outside events held by others resulting in contributions			<u>6,531</u>
			<u>\$ 19,087</u>

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**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2010 and the six months ended June 30, 2009

**NOTE 9 NET ASSETS RELEASED FROM RESTRICTION**

During the year ended June 30, 2010 and the six months ended June 30, 2009, temporarily restricted funds were used for their restricted purposes or were held for specific time periods, and they were released to unrestricted net assets:

	<u>2010</u>	<u>2009</u>
Endowment campaign	\$ 250,000	\$ -
Intellectual Property Program	200,000	-
E-Voting (EVN)	110,000	55,000
Prime Number Contest	100,000	-
Public Interest Advocate	75,000	25,000
Time-restricted	70,000	25,000
International Advocacy and Policy Development Work	39,973	-
Civil Liberties Program	33,333	166,667
FOIA / FLAG Project	30,000	-
Educational Work	25,000	25,000
Summer Intern Program	16,000	-
Legal Advice	15,000	-
European Digital Rights	12,328	-
Membership	10,000	-
Outplacement attorney program	-	30,000
Copyright watch	-	18,081
Consumer rights related to cellphone use	-	15,000
EFF legal bootcamp	-	10,000
	<u>\$ 986,634</u>	<u>\$ 369,748</u>

**NOTE 10 LEASES**

The Corporation leases its offices in San Francisco, California under two non-cancelable operating leases that originally expired August 31, 2010 and were extended to expire July 31, 2011. The Corporation also occupies offices in Washington, DC under a short-term lease. EFF had also entered into a lease agreement to expand its San Francisco office. The lease had a term of two years commencing July 1, 2008, and required monthly rental payments of \$1,500. The Corporation determined that this additional office space was not needed and on May 27, 2009, the landlord released EFF from the new lease obligation.

In November 2009, the Corporation entered into a lease for office space in Washington, DC, under an operating lease that matures November 14, 2011. The lease calls for base monthly rent payments of \$1,300, increasing to \$1,365 on the lease anniversary.

2025 RELEASE UNDER E.O. 14176

# **SUPPLEMENTARY INFORMATION**

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
**(A Nonprofit Public Benefit Corporation)**

**SCHEDULES OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2010**

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 2,144,822	\$ 180,898	\$ 307,504	\$ 2,633,224
Building expenses	148,496	12,618	21,762	182,876
Program expenses and special projects	149,528	-	-	149,528
Prime Number award	100,000	-	-	100,000
Office expenses	83,218	5,717	9,801	98,736
Travel and meetings	23,108	1,964	54,183	79,255
Grassroots campaigning	53,091	4,511	7,781	65,383
Consultants	13,872	44,391	5,600	63,863
Corporate insurance	39,705	3,374	5,819	48,898
Bank and merchant fees	-	2,527	34,091	36,618
Depreciation	24,534	2,085	3,596	30,215
Other expenses	<u>11,901</u>	<u>1,011</u>	<u>1,744</u>	<u>14,656</u>
Total expenses	<u>\$ 2,792,275</u>	<u>\$ 259,096</u>	<u>\$ 451,881</u>	<u>\$ 3,503,252</u>

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
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**SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)**  
**For the six-months ended June 30, 2009**

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,066,601	\$ 179,813	\$ 86,837	\$ 1,333,251
Program expenses	109,923	-	-	109,923
Building expenses	82,129	7,700	12,833	102,662
Office expenses	36,094	10,676	4,067	50,837
Grassroots campaigning	-	-	31,824	31,824
Corporate insurance	19,505	1,829	3,048	24,382
Membership expenses	-	-	23,729	23,729
Bank and merchant fees	1,095	2,189	18,608	21,892
Consultants	14,922	3,500	-	18,422
Travel and meetings	7,246	-	3,106	10,352
Other expenses	<u>4,221</u>	<u>-</u>	<u>-</u>	<u>4,221</u>
Total expenses	<u>\$ 1,341,736</u>	<u>\$ 205,707</u>	<u>\$ 184,052</u>	<u>\$ 1,731,495</u>